

Memorandum

The Swiss authorities would like to express their serious concerns about the investigation initiated in June 2001 on certain steel products by the US International Trade Commission (USITC) and its impact on trade. This memorandum is filed to support the submission made by Rothrist Tube (Switzerland) Inc. (Rothrist) to the Trade Policy Staff Committee of the U.S. Trade Representative and to the USITC.

Among all the products subject to the said investigation a sole Swiss Company, Rothrist Tube (Switzerland) Inc. (Rothrist) exports to the U.S. market tubes used principally by the U.S. automotive industry and in very small quantities by the U.S. furniture industry.

All the tubes exported to the U.S. market by Rothrist are engineered and custom made to meet extraordinary high-quality demand from its customers in the U.S because these tubes used in various applications by the U.S. automotive industry must conform to specific and stringent performance and durability criteria. Thus, the tubes manufactured by Rothrist have been developed together with the U.S. automotive industry to meet their specific needs. Rothrist was one of the first companies to develop and introduce the tube technology used in the automotive industry. Rothrist has a very long experience in manufacturing finished tubes, which rely on high repeatability of the manufacturing process. U.S. customers also do not base their decision to purchase from Rothrist on price but on the high-quality of the products. Moreover, the majority of Rothrist's welded drawn over mandrel (DOM) tubes generally are priced higher than any tubes produced in the United States.

For these high-quality tubes the U.S. industry does not produce like or directly competitive products and, where it does, production is limited and foreign supply is crucial to meet the U.S. domestic demand.

During the Commission's October 1 and November 8, 2001 hearing on Welded Tubular Products Other Than OCTG (product category #20), none of the U.S. producers indicated that precision and high-end DOM welded tubes were causing or threatening to cause serious injury to the U.S. steel makers.

In addition, the fact that steel products are subject to the fluctuation of trade cycles, which can be predicted well in advance by economic experts and cannot constitute an unexpected event or a "surprise", is internationally recognized.

For decades overcapacity and overproduction have been a recurrent problem for the steel industry. According to the continuous information system of the OECD Steel Committee, the U.S. steel industry has, from 1996 to 2000, increased its steelmaking capacity by 12.35% and its crude steel production by 6.26%. Swiss steelmaking capacity has remained unchanged since 1986 and is almost a hundred times smaller than the U.S. one.

On many occasions the OECD (Ministers, Steel Committee, etc.) recalled the need for market openness. In the press release of May 17, 2001, OECD Ministers renewed their commitment to the strengthening of the multilateral trading system and their rejection of protectionist measures.

In conclusion, whatever difficulties presently exist in the global steel production and trade, Switzerland is confident that a common ground can be found on the narrower issue of the role of Rothrist's imports to the U.S. market. For all the reasons mentioned above, but especially because Rothrist tubes are custom made to meet high-quality requirements of its U.S. customers and no U.S. producer is presently able to produce like or directly competitive products in sufficient quantities and, above all, of equivalent quality, the Swiss authorities urge the U.S. authorities to take into consideration their arguments and to exclude the tubes exported by Rothrist to the U.S. market from import relief under Section 203.

